

Appropriations Summary

	14-15	15-16	15-16 Year End	16-17	17-18
	Actual	Amended	Projection	Recommended	Recommended
Employee Services	\$ 3,261,665	\$ 3,366,918	\$ 3,406,287	\$ 3,925,935	\$ 3,960,664
Supplies & Services	4,587,144	3,628,585	5,901,495	1,960,214	1,773,112
Capital Outlay	6,360	458,024	289,721	82,600	85,900
Debt Services	7,934,394	6,924,744	6,924,744	6,918,746	6,910,347
Internal Service	564,236	621,736	621,737	798,836	820,574
Transfers Out	458,692	563,104	563,105	156,740	116,165
Project Expenditure	10,662,668	14,048,209	17,488,115	4,305,376	1,500,000
TOTAL EXPENDITURES	\$ 27,475,158	\$ 29,611,319	\$ 35,195,203	\$ 18,148,447	\$ 15,166,762

CODE COMPLIANCE	\$	-	\$	-	\$	-	\$	135,689.2	\$	141,628.3
PLANNING		2,501,335		3,149,872		2,730,169		2,129,876		2,186,351
BUILDING		1,351,781		1,544,811		1,645,805		1,844,653		1,786,183
LONG RANGE PLANING		652,111		901,073		594,677		742,028		669,590
CDBG FUND		141,949		77,000		77,000		70,000		-
MOBILE HOME PARK RENT		738		801		801		840		880
HOUSING MITIGATION		3,642,807		3,771,348		2,040,940		3,081,079		1,294,171
COMH SUCCESSOR TO MHRDA DEBT SERVICE		7,934,394		6,924,744		6,925,235		6,918,746		6,910,347
COMH SUCCESSOR TO MHRDA ADMINISTRATION		3,285,606		1,018,566		2,941,126		440,229		244,073
COMH SUCCESSOR TO MHRDA CIP BOND PROCEEDS		7,670,218		11,602,913		17,551,100		-		-
SUCCESSOR HOUSING AGENCY		294,220		620,193		688,352		2,785,307		1,933,540
TOTAL EXPENDITURES BY PROGRAM	\$	27,475,158	\$	29,611,319	\$	35,195,203	\$	18,148,447	\$	15,166,762

FULL TIME EQUIVALENT EMPLOYEES	19.92	19.87	19.87	21.77	21.62
--------------------------------	-------	-------	-------	-------	-------

Community Development Department

DEPARTMENT DESCRIPTION

The Community Development functions contain activities of the City related to the built environment including Building, Building Inspection, Current and Long Range Planning, Code Enforcement, Economic Development and Affordable Housing, as well as related Administrative Support Services for those functions. The Assistant City Manager, Community Development Director, Building Official, Economic Development Director and Housing Manager comprise the Development Services management team. Recommendations in FY 16-17 to create an Economic Development Director position, and include the Building Official and Housing Manager as central figures within the management team will augment and strengthen the relationship of development services activities to the City's broader goals, policies and priorities.

Together, Community Development provides collaborative leadership on such City Council “Focus Areas” as 1) planning our community, 2) developing our community, 3) enhancing our service, 4) improving our communication and 5) participating in regional initiatives. Community Development also provides the comprehensive planning required to accommodate specific transportation enhancements, economic development attraction, retention, tourism and Placemaking activities to increase jobs and expand the City's tax base, as well as affordable housing preservation and development.

The 15-16 fiscal year saw high demands on planning and building activity as a strong housing development- oriented local economy continued. The residential development market remains vigorous, and the commercial/industrial market accounted for nearly 25% of building permit activity. For Morgan Hill, the health in the economy lead to the completion of development of many residential projects that in previous years had been awarded allocations through the Residential Development Control System (RDCS), deferring to build due to financial limitations. As in FY 13-14 and FY 14-15, in FY 15-16 the surge of activity was mitigated in some cases by contract planning, and building part-time and contract inspection services facilitating more that 14,400 building inspections. Contract planning services were used to assist private Downtown Development and the completion of the SEQ.

Grants were a key work effort as well, as the Community Development Department collaborated with Community Services, and others throughout the city team to receive \$1.5 million in parks grants for downtown and re-submit requests for over \$9.2 million in grants for enhanced forestation, improvements to public rights of way to enhance pedestrian, bicycle access, transit use and accessibility, park enhancements to provide benefits to neighborhoods with affordable housing, electric charging stations, activities to reduce greenhouse gas emissions, and an additional \$1.2 M in new park funds to support Downtown park and trail construction and neighborhood park development.

FY 15-16 began marked by the closure of the City's former housing administration contractor, prompting re-tooling and remedial activity leading to the performance and evaluation of operations of Morgan Hill's Below Market Rate (BMR) housing ownership program, one TEFRA hearing to facilitate tax credit financing for rehabilitation of affordable rental housing units, and an evaluation of the current BMR in-lieu fee program and function within the Residential Development Control System (RDCS). Community Development also spent significant time, using outside consulting experts, surveying customers, reviewing and evaluating the development review process and flow as well as code enforcement program in an effort to identify opportunities to streamline, collaborate and provide higher quality and more timely service.

CITY OF MORGAN HILL • FY 16-17 AND 17-18 • OPERATING AND CIP BUDGET • CITY OF MORGAN HILL

- Development and installation of TrakIT- a fully automated, GIS computer based planning, building and business license system that will manage the entitlement and permit process
- Completion of the Housing Element Update of the General Plan
- Adoption of an Agricultural Land Use Preservation Program and Southeast Quadrant Area Plan
- Completion of the Morgan Hill 2035 General Plan Update Environmental Impact Report (EIR)
- Completion of a Downtown Parking Capacity Update
- Preparation of a Hotel Market Assessment
- Launch of the Economic Development Blueprint process
- Completion of a Downtown Parking Capacity Update
- Commencement of a planning effort, resulting from a grant of \$320,000 from the Valley Transportation Authority (VTA) to be used towards the creation of a formal Station Area Master Plan for Downtown Morgan Hill
- Facilitation of Downtown Placemaking and public art projects,
- Delivery of new public improvements
- Entitlement of private Development projects- specifically former redevelopment agency assets

FY16-17 and 17-18

- Significant time is anticipated in FY 16-17 and 17-18 to implement and build on performance enhancement opportunities identified in this review. Major work program milestones resulting from this review include utilizing TRAKiT to audit the review process for quality control, identifying inconsistencies and duplication, organizing work flow and work assignments to eliminate impediments to inefficiencies and fully utilizing the tools created to manage certainty in the development process. Other work program activities will include development of a regular customer service survey to gain on-going input about program efficiencies or impediments.
- The FY 16-17 Budget reflects an emphasis on core functions, the anticipation of continued growth in housing starts, a relatively more promising outlook for commercial and industrial new construction, proactive efforts to grow transient occupancy (TOT), sales and business to business revenues, management of multiple site private construction activity in the Downtown, servicing and delivering new affordable housing activities, and revising and revamping the development services "organization systems" by integrating the tools available through TRAKiT to review performance and deliver permits. The budget also anticipates significant activities related to finalizing the General Plan and related documents, the revised RDCS and related ballot initiative, High Speed Rail planning and collaboration as well as support of a myriad of other regional initiatives in housing, economic development, planning and building.
- The FY 16-17 Budget responds to the continued increase in permit activity, anticipated to stay robust through FY 17-18. Minor changes to the Building Division organization are being proposed as a result of the review of the Code Enforcement program, recommending part-time administrative support for the Code Compliance Officer to improve efficiency, communication and effectiveness. The current budget already included one temporary part time administrative position. The proposed budget adds .5 FTE, creating 1 FTE Municipal Services Assistant (MSA) position. This position will serve Building and Code Compliance as well as perform plans archiving functions. The Code Compliance will not be funded 50% by the General Fund, due to the nature of work. Building anticipates the continued use of one part-time building inspector as well, to meet inspection demands.

Community Development Department (continued)

- Building Division will see a major change as the organization prepares to hire a successor to the current Building Official who will retire December 31, 2016. In late April 2016, Morgan Hill began a process to seek a professional to provide leadership and assume the role of the Building Official upon the retirement of the incumbent. A candidate with solid "plans review experience" is being sought to service in a role as senior plans examiner/building official, while preparing to transfer to the Building Official position on January 1, 2017. Morgan Hill will seek a customer service oriented leader, passionate about working within a team setting, to mentor with the current building official and complete a seamless transition of administration.
- Changes to the Planning Division are also being proposed. FY 16-17 proposes the addition of a 1 FTE GIS Manager, that will be physically "located" in development services, and will be funded in a shared arrangement by Planning, Engineering, Public Safety, Community Services, and both Water and Wastewater Funds. As was recommended in the Development Services review, this position will allow all activities (land use, license, house numbering, infrastructure, etc) to be inputted into the GIS data base to maintain all geographically-based information and data bases in the city.
- The City's Affordable Housing focus will be in two areas; 1) protecting and rehabilitating the community's existing affordable housing supply and 2) creating a path to develop additional new affordable units that meet the general and special needs of Morgan Hill residents. Maintaining our existing housing inventory is paramount. Determining the long-term support for administration and maintenance of these assets will continue to be time consuming. Assisting with regional efforts to collaborate to meet the County's affordable housing needs, will also be a high priority. Also targeted on the priority list is the implementation of the EAH scattered site affordable housing project, scheduled to begin construction in the summer of 2016, and assisting EAH Housing with orchestration of major renovation activities of the 112 unit, Village Avante rental neighborhood.
- In FY 16-17 it will be important to focus economic development activity to help facilitate City development priorities and identify the development needed to assist with the retention and attraction of high-quality jobs, the development of vacant industrial and office acreage, expansion needs of existing business and the supply and balance of housing types required to accommodate all members of the business and residential community regardless of age, income and or physical ability. Partnerships with our existing business community will be key. The 16-17 budget anticipates creating an Economic Development Director position in recognition of the key role that this activity plays in the community and in the future Development Services/City leadership team. Funding for Economic Development is contained in the City Manager's budget; the economic development positions reside in Development Services.
- This budget proposes continued implementation activities fostering construction of former Downtown "opportunity sites", and familiarization of potential users and their brokers with service area voids, including hospitality, and retail with the strengthened market demographics and opportunities in Morgan Hill. These development amenities are critical to the support of further investment in the industrial park areas and Downtown, will enhance the City's quality of life and support the sports, recreation, leisure and tourism goals of Morgan Hill.
- As a special revenue fund, the Planning, Building, and Engineering Divisions (Engineering is in the Public Works Department) Fund 206 fees must cover all operating expenses. For FY 16-17 this is forecasted to occur. However, in FY 17-18 and beyond, the fund is projected to experience structural imbalance. The FY 15-16 work program began a review of fees by NBS; this analysis will be complete in the first quarter of FY 2016-17. Staff anticipates bringing a recommendation forward to Council as part of our comprehensive effort to ensure our processes are streamlined and the appropriate resources are dedicated to the development services process.

CITY OF MORCAN HILL • FY 16-17 and 17-18 • OPERATING AND CIP BUDGET • CITY OF MORCAN HILL •
CITY OF MORCAN HILL • FY 16-17 and 17-18 • OPERATING AND CIP BUDGET • CITY OF MORCAN HILL •

The City of Morgan Hill's Economic Development (ED) mission is to improve the community's economic base and quality of life by helping create a dynamic local economy, with a vibrant Downtown, thriving shopping centers and a diverse mix of industrial and technological uses. Major services include business assistance and development, marketing and branding, policy analysis, strategic partnerships, and the advancement of key economic development initiatives. The ED Team collaborates closely with all City teammates and with business advocacy groups, including the Tourism Alliance, the Downtown Association (DTA) the Chamber of Commerce (MHCC), and the Morgan Hill Manufacturing Roundtable, which are engaged and empowered to deliver economic development as a top priority.

Currently, the Economic Development team is made up of a Economic Development Manager, an Economic Development Coordinator, a portion of the Assistant City Manager for Community Development and sporadic part-time temporary resources. FY 16-17 proposes the formalization of an ongoing part-time internship position to assist with Program implementation and outreach, as well as the evolvement of the Economic Development Manager position to Economic Development Director.

FY 15-16 ACCOMPLISHMENTS

Launched the Economic Blueprint engagement process

Assisted redevelopment of former Redevelopment sites, resulting in the restoration of the Granada Theatre into a multi-purpose event and entertainment venue, a 29-unit mixed-use retail project at the Depot Center, a 12,200 SF retail project at 3rd and Monterey and a proposed Boutique Hotel with a spa and Market Hall at the former Downtown Mall--approximately \$50 million in investment

Developed a Public Facilities Agreement the property owner of the South Valley Bikes building to allow for the temporary placement of the "pop up" park and the redevelopment of the site into a multi-story mixed use project

Economic Development (continued)

- Assisted with the implementation of the Complete Streets Pilot Project and developed a suite of improvements to facilitate pedestrian safety and traffic calming through Downtown
- Implemented a Gateway Art Project through an extensive artist selection program coordinated through the Library, Culture and Arts Commission that resulted in the installation of an artwork that references Morgan Hill's geology as well as outdoor recreational activities in an illuminated colorful art piece by Blessing Hancock, from Tucson, AZ
- Successfully secured a \$51,000 grant from - KaBOOM! Play 60 Play On grant - to implement the Dunne Avenue and Monterey crosswalk with a wine country and natural setting theme
- Held meetings with the Morgan Hill Manufacturing Stakeholder Group to identify opportunities for partnership, policy needs, and to support and expand Morgan Hill's manufacturing sector
- Connected with the top 25 companies, including largest employers and sales tax generators, to explore their operational and/or growth needs and craft a path to assist with their long term satisfaction and longevity in Morgan Hill
- Administered existing programs, such as the Impact Fee Financing Program, SCIP, and the Grow Morgan Hill Fund. Promoted regional programs like Work2Future on-the job training, regional Micro loans, PG&E equipment and energy efficiency financing, SBA and SCORE programs
- Attended trade shows throughout the year , consistent with the City's targeted industry sectors, with a particular focus on International Council of Shopping Centers (ICSC)
- Responded to Requests for Information from companies, developers, investors and site selection consultants. Provided ombudsman service to developers/owners of Juan Hernandez site, Mushroom Farm, South Bay (Butterfiled/Cochrane) site, and M-West sites
- Continued to update economic development information in City's website and increase presence in social media websites like Facebook and LinkedIn
- Worked with Super Bowl 50 organizers to promote Morgan Hill during this event. Achieved a five-minute news spot showcasing the "Light Up the Sky" ceremony.
- Developed a "Meet Morgan Hill" tri-fold brochure in collaboration with the Tourism Alliance and Hotel Coalition, DTA and MHCC. A partnership that resulted in \$2,000 in contributions for the production and distribution of the brochure. The brochure was distributed locally at the San Jose Mineta International Airport and other regional facilities before Super Bowl 50
- Collaborated with local organizations to increase tourism in Morgan Hill, including reaching out and developing new partnerships with the San Jose Convention and Visitors Bureau and the Gilroy Visitor Center
- Worked with Hotel Coalition and Tourism Alliance to develop a marketing strategy and identify cross promotion opportunities
- Issued second Grow Morgan Hill loan to the "Running Shop and Hops" for \$210,000
- Established "Key Economic Development Drivers" - developing financing infrastructure that adds capacity to Morgan Hill's business organizations by leveraging private dollars and establishing on-going sources of funding to promote economic development activities through the Grow Morgan Hill Fund
- Developed first annual South Silicon Valley Broker Breakfast showcasing South San Jose, Morgan Hill and Gilroy development opportunities to brokers and investors
- Participated at SVEDA (Silicon Valley Economic Development Alliance) broker breakfast for all major industrial/office and retail brokers and key property owners promoting development opportunities in Morgan Hill

CITY OF MORCAN HILL • FY 16-17 and 17-18 • OPERATING AND CIP BUDGET • CITY OF MORCAN HILL •
CITY OF MORCAN HILL • FY 16-17 and 17-18 • OPERATING AND CIP BUDGET • CITY OF MORCAN HILL •
CITY OF MORCAN HILL • FY 16-17 and 17-18 • OPERATING AND CIP BUDGET • CITY OF MORCAN HILL •

- 
- Assist and lead the Transit Area Master Plan efforts to advance the vision of Downtown as a thriving business and community district
- Implement pedestrian calming, traffic calming and placemaking efforts to enhance the Downtown as a thriving dining and entertainment area
- Collaborate with property owners and developers to assist with the redevelopment of the South Bay Parcel, the M-West Property, the Juan Hernandez site and the Mushroom Farm
- Complete the Downtown News rack Consolidation Program
- Develop a Telecommunications infrastructure Master Plan that promotes greater broadband capabilities through policy and infrastructure improvements
- Assist with the Hotel Transient Occupancy Audit and work with Police, Housing and Building Departments to improve life-safety conditions
- Work with the downtown property owners to explore the creation of a new business improvement district to finance future infrastructure and maintenance improvements for the Downtown
- Implement the second annual South County Broker Breakfast

FY16-17

- Complete and begin implementation of the Economic Blueprint. Develop a communications and outreach campaign to share the findings of the Blueprint
- Continue to develop and update marketing and branding promotional materials and advertisements promoting Morgan Hill as a place for investment
- Promote retail opportunities at broker events, and through active participation at ICSC conferences
- Work with brokers, businesses and developers to develop industrial vacant properties, attract businesses and help with expansion opportunities
- Promote Downtown development opportunities to businesses and developers, with a focus to attract housing development
- Assist and lead the Transit Area Master Plan efforts to advance the vision of Downtown as a thriving business and community district
- Implement pedestrian calming, traffic calming and placemaking efforts to enhance the Downtown as a thriving dining and entertainment area
- Collaborate with property owners and developers to assist with the redevelopment of the South Bay Parcel, the M-West Property, the Juan Hernandez site and the Mushroom Farm
- Complete the Downtown News rack Consolidation Program
- Develop a Telecommunications infrastructure Master Plan that promotes greater broadband capabilities through policy and infrastructure improvements
- Assist with the Hotel Transient Occupancy Audit and work with Police, Housing and Building Departments to improve life-safety conditions
- Work with the downtown property owners to explore the creation of a new business improvement district to finance future infrastructure and maintenance improvements for the Downtown
- Implement the second annual South County Broker Breakfast

Economic Development (continued)

- Relocate the Pop Up Park to 2nd and Monterey and implement parklet opportunities to activate the public realm with bike corrals and active spaces
- Collaborate with M-West, South Bay and other key developers to develop a marketing piece that promotes the largest industrial parcels in Morgan Hill
- Complete the wayfinding sign Program in downtown Morgan Hill.
- Actively participate in the Silicon Valley Economic Development Alliance, the Silicon Valley Manufacturing Roundtable, ULI, BOMA and other real estate organizations
- Continue participation on League of California Cities Housing, Community and Economic Development Policy Board
- Actively engage with High Speed Rail to capitalize on opportunities to influence final alignment through Downtown
- Collaborate with local colleges and universities to implement a talent internship program in Economic Development

FY 17-18

- Continue to develop and update marketing and branding promotional materials and advertisements promoting Morgan Hill as a place for investment
- Promote retail opportunities at broker events, and through active participation at ICSC conferences
- Work with brokers, businesses and developers to develop industrial vacant properties, attract businesses and help with expansion opportunities
- Promote Downtown development opportunities to businesses and developers, with a focus to attract housing development
- Continue to implement pedestrian calming, traffic calming and placemaking efforts to enhance the Downtown as a thriving dining and entertainment area
- Collaborate with property owners and developers to assist with the redevelopment key industrial and commercial sites
- Continue to implement Economic Blueprint recommendations
- Implement OpenCounter, a web-based program that supports business development by streamlining the entitlement process and associated costs
- Implement the Telecommunications Infrastructure Master Plan recommendations
- Continue collaboration with the Tourism Alliance, DTA, MHCC and other business advocacy groups to promote Morgan Hill
- Implement the third annual South County Broker Breakfast
- Relocate Pop Up Park and reinvent into parklets
- Actively participate in the Silicon Valley Economic Development Alliance, the Silicon Valley Manufacturing Roundtable, ULI, BOMA and other real estate organizations
- Actively engage with High Speed Rail to capitalize on opportunities to influence final alignment through Downtown
- Continued focus work around the Economic Development Blueprint
- Continue regional participation in Silicon Valley Economic Development Alliance, Silicon Valley Manufacturing Roundtable and other organizations

CITY OF MORCAN HILL • FY 16-17 and 17-18 • OPERATING AND CIP BUDGET • CITY OF MORCAN HILL •
CITY OF MORCAN HILL • FY 16-17 and 17-18 • OPERATING AND CIP BUDGET • CITY OF MORCAN HILL •

Economic Development will continue to support the priorities, goals and strategies of the City Council:

- Work with the Downtown Association and the Community to make Downtown the most walkable, bike friendly, and vibrant and safest business district in Morgan Hill
- Continue to enhance lighting to create Placemaking and enhanced connections to parking areas and public spaces

- Implement an Economic Blueprint that will provide guidance for policy decisions that support long-term economic sustainability and prosperity for the City of Morgan Hill
- Develop a Telecommunications Master Plan that will strengthen broadband in the community, critical to business retention and expansion efforts
- Continue commercial, industrial and retail business attraction, expansion, and retention activities with a special focus on connecting with the top companies/employers to strengthen their presence in Morgan Hill
- Provide general business assistance information including the provision of economic, demographic, and general information to persons and companies interested in locating a business in Morgan Hill
- Facilitate an industrial development agreement for M-West that advances the development of that key industrial property in the Morgan Hill Ranch Business Park
- Assist with the implementation of sites #1 and #4 (Leal Hotel & Market Hall and Rodrigues/Imwalle Retail Project that will result in a \$25.4 million investment

- Continue to work with DTA and the Library, Cultural and Arts Commission to promote more art opportunities and programs that make Downtown and public spaces friendly to all sectors of the community
- Collaborate with Community Services and recreational interests to discuss additional outdoor facilities and connections that could encourage use of the Downtown for biking and hiking, and connect schools and transit to make access available for people of all ages by foot, bike or alternate modes of transportation

- Continue to work as a team to provide a comprehensive "one voice" approach to processing development applications
- Continue to engage the City Team as customers as well as ambassadors of the ED Program

- Actively engage with High Speed Rail activities to ensure the community is engaged and educated regarding the program and can provide feedback during the environmental review period
- Launch a communications campaign highlighting the Economic Blueprint findings

- Assist in the completion of the General Plan Update and Zoning Code Update

Economic Development (continued)

- Actively work with key industrial and commercial property owners to promote their sites for development
- Through the Economic Blueprint create a focused approach to attracting investment by targeted industries into Morgan Hill

Developing Our Community

- Implement the Economic Blueprint and Telecommunication Infrastructure Master Plan strategies
- Assist with the development of Leal Hotel, the City Ventures Depot Center Project, and the 2nd and Monterey project
- Promote development opportunity for the Hale Lumber site in Downtown

Enhancing Our Services

- Establish OpenCounter to offer online business assistance services, streamlining the entitlement process and fees for the business entrepreneur. OpenCounter will enhance the services offered by Track-It and will offer information in Spanish 24/7
- Through the on-going part-time internship program, the ED team can expand its business outreach and communications efforts

Improving Our Communication

- Improving, retooling information and content on our website
- Using social media such as LinkedIn, Facebook, Twitter and Nextdoor to communicate upcoming projects and initiatives
- Improving brochures and collateral on Morgan Hill's "value proposition"

Participating In Regional Initiatives

- Actively participate in the Silicon Valley Economic Development Alliance focused on Economic development projects and initiatives supporting the Bay Area, the Silicon Valley Manufacturing Roundtable
- Take leadership positions with High Speed Rail and South County Power Connect Task Forces

Financial Comments

The FY 16-17 budget assumes an additional \$22,000 for part time internship support and a \$25,000 contribution for Open Counter in FY 17-18, over the current FY program baseline. Funding for economic development is contained in the City Manager's budget.

Code Compliance [010-2700]

DIVISION DESCRIPTION

Code Compliance, previously an activity of the Building Division, is now established as its own Division beginning in FY16-17. The Code Compliance activity is responsible for enforcing building codes and complaints/concerns and/or violation of the Morgan Hill Municipal Code.

Common concerns and complaints can be:

- Work without permits
- Graffiti
- Illegal Home Occupations
- Junk/Debris in the front yard
- Structures- (Illegal garage conversions, additions, sheds etc)
- Maintenance of vacant lots

ACTIVITY GOALS

FY16-17 and 17-18

- Begin e-based code enforcement case management through TRAKIT. This enhanced function will allow community members to electronically submit complaints, and obtain information about Code Enforcement cases and compliance.
- Create a new code enforcement administrative citation bail schedule for noncompliant code violators.
- Modify the policies and procedures manual for code enforcement to align with Management Partners Code Enforcement Review recommendations.

COUNCIL GOALS

Enhancing Public Safety

- Creating a new code enforcement administrative citation bail schedule for noncompliant code violators

Enhancing Our Services

- Transitioning to a 2-year budget cycle
- Implementing TrakIT Land Management Software

FINANCIAL COMMENTS

Code Compliance Division consists of a Code Compliance Officer and 0.5 FTE of Municipal Services Assistant. The recommended budget includes the Code Compliance Activity to be funded 50% by the General Fund, due to the nature of the work. In addition, the budget also recommends a 0.5 FTE of a Municipal Services Assistant position, to provide administrative support to the Code Compliance Division.

Expenditure Details		14-15	15-16	15-16	16-17	17-18
Object	Description	Actual	Amended	Year End Projection	Recommended	Recommended
41100	SALARIES - GENERAL	-	-	-	82,860	86,364
41620	RETIREMENT - GENERAL	-	-	-	15,027	16,100
41690	DEFERRED COMPENSATION	-	-	-	1,582	1,651
41700	GROUP INSURANCE	-	-	-	22,559	23,672
41701	MEDICARE	-	-	-	1,223	1,286
41730	INCOME PROTECTION INS	-	-	-	1,015	1,015
41760	WORKERS COMP	-	-	-	2,071	2,159
Salaries Total		-	-	-	126,337	132,247
45003	GENERAL LIABILITY INSURANCE	-	-	-	2,779	3,057
45004	BUILDING MAINT - CURRENT SERVICES	-	-	-	6,573	6,324
Internal Services Total		-	-	-	9,352	9,381
2700 - Code Compliance Total		-	-	-	135,689	141,628

CITY OF MORCAN HILL • FY 16-17 and 17-18 • OPERATING AND CIP BUDGET • CITY OF MORCAN HILL •
CITY OF MORCAN HILL • FY 16-17 and 17-18 • OPERATING AND CIP BUDGET • CITY OF MORCAN HILL •

Current Planning activities include reviewing proposed plans for compliance with the zoning section of the Municipal Code, Specific Plans, the General Plan, and the California Environmental Quality Act (CEQA) and implementation of the Santa Clara Valley Habitat Plan. Current Planning members also provide public information (counter) service, maintain Geographic Information System (GIS) data, and perform process improvements to improve service delivery. The most common land use permit processes administered by this division include RDCS applications, Zoning Amendments, Development Agreements, Subdivisions, Site and Architectural Review, Use Permits, Sign Permits, and Tree Removal permits. The current planning team works closely with the Building Division to review Building Permit applications and the construction of projects for consistency with Planning permits.

- Conducted annual review of RDCS scoring criteria
- Conducted the 2015 Residential Development Control System (RDCS) Competition for 18 projects, including coordination of multiple departments to score each project, conduct of three Planning Commission hearings (preliminary scoring, final scoring and allotments), and City Council hearings of appeals for scoring and allotments
- Completed hearing process for 3 RDCS Zoning/General Plan Appeals
- Completed Zoning Amendment / Development Agreement / Subdivision process for 4 new residential projects
- Completed entitlements for commercial Downtown projects including Monterey/Third-Rodriguez & Imwalle, Monterey-Leal/Granada - Granada Hotel and Market Hall, Third and Depot -City Ventures, Betto's and Running Shop & Hops projects
- Completed permit tracking software design and implementation (go live in May)
- Completed Pre-zoning/USA Expansion process for SEQ and Monterey-Watsonville properties
- Completed various other Development Agreements, Use Permits, Site Review permits, etc
- Transition to in-house clerk/minutes for Planning Commission hearings
- Updated Planning Commission staff report format/template
- Conducted Planning Commission training
- Participated in LAFCO TAC for preparation of the Municipal Service Review
- Participated in the City's comprehensive RDCS update
- Completed review by outside consultant (Zucker Report) of City's land use permit processes

- Manage the entitlement process for economic development and residential projects consistent with the City's design standards and customer service delivery goals. Process project applications, conduct California Environmental Quality Act (CEQA) reviews, administer development agreements, and conduct plan checks and final inspections for proposed and approved projects. Coordinate the review of projects with City staff and outside

Planning (continued)

agencies as necessary. Evaluate all development applications, working with applicants on suggested changes, and preparing and presenting staff reports, issues of concern, findings, recommendations, draft resolutions, and ordinances to the Planning Commission and City Council.

- Control the annual Residential Development Control System (RDCS) process for the allotment of residential units consistent with the City's growth management program. Determine allotments for competition categories. Provide preliminary review process for projects as requested.
- Provide information and customer support to assist residents, business persons, property owners and developers to administer planning and environmental review processes
- Prepare Planning Commission agendas and minutes. Conduct public noticing and posting of agendas as required.
- Coordinate and manage consultants as needed for planning and/or environmental review of projects
- Implement process improvements, including those identified in the Development Services Review Report
- Maintain land use and permit data and respond to data requests from the public or to support regional planning efforts
- Fully implement the City's new permit tracking system (TRAKiT) for the Development Services program, providing more efficient service delivery, enhanced customer service, and greater community access
- Conduct stakeholder outreach and implement new Current Planning fees to better implement a 100% cost recovery model
- Continue work on CEQA Thresholds of Significance and standardized mitigation measures and conditions of approval
- Continue participation in the One Bay Area (ABAG), Sustainable Communities Strategy, Regional Housing Needs Allocation through MTC and ABAG, and League of California Cities Housing, community and Economic Development Statewide Legislative Policy Board

FY 17-18

- Manage the entitlement process for economic development and residential projects consistent with the City's design standards and customer service delivery goals. Process project applications, conduct California Environmental Quality Act (CEQA) reviews, administer development agreements, and conduct plan checks and final inspections for proposed and approved projects. Coordinate the review of projects with City staff and outside agencies as necessary. Evaluate all development applications, working with applicants on suggested changes, and preparing and presenting staff reports, issues of concern, findings, recommendations, draft resolutions, and ordinances to the Planning Commission and City Council.
- Implement the new Residential Development Control System (RDCS) process for the allotment of residential units consistent with the City's growth management program. Determine allotments for competition categories. Conduct mandatory preliminary review process.
- Provide information and customer support to assist residents, business persons, property owners and developers to administer planning and environmental review processes.
- Prepare Planning Commission agendas and minutes. Conduct public noticing and posting of agendas as required
- Coordinate and manage consultants as needed for planning and/or environmental review of projects.
- Implement process improvements
- Maintain land use and permit data and respond to data requests from the public or to support regional planning

Planning (continued)

Developing Our Community

- Implement Redevelopment Sites #1 & 4 (Leal Hotel & Market Hall)
- Implement EAH scattered site development

Enhancing Our Services

- Implement TRAKiT Land Management Software

Improving Our Communication

- Use TRAKiT to provide greater public access to land use permitting information

Participating In Regional Initiatives

- Implement the Santa Clara Valley Habitat Plan
- Participate in regional GIS best practice forums

FINANCIAL COMMENTS

Development processing activities are funded by the Community Development Fund, from development processing fees that pay for service. These funds are accounted for separately from the General Fund. On January 18, 2012, the City Council adopted a revised fee schedule to help ensure full cost recovery for building, planning and engineering services provided to the community. Engineering and Building fees are keeping pace with activity. However, Planning fees continually fall short of total cost recovery. The City has selected a consultant (NBS) to conduct a comprehensive review of Planning fees for cost recovery, including a technology surcharge to cover the costs of maintaining an electronic permit tracking system. This study is anticipated to be completed and considered by the Council in early FY 16-17.

In order to maintain the excellent customer service, and help expedite the development entitlement process, Planning division will continue to make use of outside consultants to supplement existing in-house staff resources. The cost of this consultant services are fully borne by the development community that takes advantage of this service on a project by project basis, with no impact to City funds.

The FY16-18 recommended budget also includes a new GIS Manager position, which will be funded 41% by Community Development Fund(15%- Planning, 11%-Building, 15% Engineering), and remainder by the General, Park Maintenance, Water and Wastewater Funds. The previously adopted transfers from Planning to Long Range Planning, to fund the Morgan Hill 2035 project, are set to expire at end of FY15-16. Although the Morgan Hill 2035 project will extend into the future fiscal years, planning will only provide funding through the previously adopted 15% surcharge fee for LRP, on all planning activity in the City.

CITY OF MORGAN HILL • FY 16-17 and 17-18 • OPERATING AND CIP BUDGET • CITY OF MORGAN HILL

• CITY OF MORGAN HILL • FY 16-17 and 17-18 • OPERATING AND CIP BUDGET • CITY OF MORGAN HILL • FY 16-17 and 17-18 • OPERATING AND CIP BUDGET • CITY OF MORGAN HILL • FY 16-17 and 17-18

Building [206-5130]

DIVISION DESCRIPTION

Building Division reviews construction plans, issues permits, and provides field inspections for all construction and property development activities to ensure compliance with mandated regulations. The Building Division is responsible for fire prevention activities including plan review and inspections, and complaint based Code Enforcement activities, which include investigation, case maintenance, case resolution, annexation inspections and business license reviews and Certificate of Occupancy inspections for zoning and building compliance.

In FY 16-17, it is proposed that the division eliminate the .5 temporary Fire Inspector position, while making permanent the 2 year Building Inspector II position added in FY 15-16, and shifting the fire inspection functions to this Inspector. This proposed shift phases out the .5 temporary Fire Inspector position by FY 16-17, thus allowing time for training. Having full-time staff available to perform the functions of fire plan review and inspections, results in enhanced service for division customers. Included in FY 16-17 work plan is succession planning to replace the current Building Official, retiring December 31, 2016. The goal is to hire a new Building Official by the end of the second quarter of calendar year 2016 to allow training with the current Building Official to create very smooth and undistruptive transition. The division currently uses the services of a .5 FTE Municipal Services Assistant (MSA) position to support building counter and customer service functions. The FY 16-17 budget proposes to increase this to a full-time MSA to support not only building, but also code enforcement with case management. This is consistent with recommendations from the March 2016 "Review of Code Enforcement", by Management Partners, which recently reviewed the City's code enforcement program making recommendations for improvement. The new MSA position will also assist customers at the building division counter, provide support services for the Development Services Technicians and electronically scan plans for TRACKIT archives. Further, Building Division customer service requests have gradually increased over past few years, as the City's population has grown, with the demand for homeowner permitting and other general assistance increasing proportionately. To meet the needs of a growing community this new MSA position will help meet the service levels expected by the customers Morgan Hill serves.

FY 15-16 ACCOMPLISHMENTS

- Established an administrative citation process to help adjudicate noncompliant code enforcement cases. Penalties collected from this process are retained by the Building Division. Managed as many as 120 active code enforcement cases at one time
- Interviewed and selected software providers for a new permit tracking and plan review system
- Upgraded the Building Inspectors' iPads, giving them additional capabilities by having full access to the division network
- Purchased electronic scanner for records storage. This continues as an on-going function of the division. The purchase of an electronic scanner has increased the ability to perform multiple functions

ACTIVITY GOALS

FY 16-17 and 17-18

- Full implementation of TRAKIT computer data base will be utilized for development processing of plans and permits. This new system will allow easier tracking of plan review, permits and inspections and includes code enforcement activities
- Begin web based plan review and permitting through TRAKIT. This enhanced function will allow applicants to

CITY OF MORGAN HILL • FY 16-17 AND 17-18 • OPERATING AND CIP BUDGET • CITY OF MORGAN HILL

electronically submit and obtain approval without visiting the DSC.

- Create a new code enforcement administrative citation bail schedule for noncompliant code violators
- Modify the policies and procedures manual for code enforcement to align with Management Partners recommendations

Council Goals

Planning our Community

- Completing a Community Development Fund fee Study

Enhancing our Services

- Transitioning to a 2-year budget cycle
- Implementing TrakIT Land Management Software

FINANCIAL COMMENTS

The Building Division is funded by development processing fees and includes a Building Official/Building Manager, one part-time Fire Inspector, one Building Inspector Supervisor, 2.5 Building Inspectors, one Code Enforcement Officer, one .5 MSA, one part-time Geologist and 2 Development Services Technicians. FY 16-17 recommends converting the part-time MSA to full-time, adding .5 MSA to support code enforcement activities. Also beginning in FY 16-17, 50% of Code Enforcement expenses will be funded by the General Fund due to the nature of the work performed. The recommended budget also includes a new GIS Manager position, which will be funded 41% by Community Development Fund (15%- Planning, 11%-Building, 15% Engineering), and remainder by the General, Park Maintenance, Water and Wastewater Funds.

Building and fire prevention inspection activities continue to average 270 inspections per week, consistent with the FY 15-16 high of 270 inspections per week. Residential plan review and permit activity continue to dominate the building division work load, however, commercial plan review and building permit activity has increased, accounting for about 25% of overall building division activity.

Developers indicate they will continue building single family homes during FY 16-17 as long as real estate sales remain strong and housing sales inventory remains low. There has been an increase of commercial tenant improvements and new commercial development. This recent shift in commercial development activity began at the outset of FY 15-16 and has generated positive outlook for the local economy.

Building (continued)

Expenditure Details		14-15	15-16	15-16	16-17	17-18
Object	Description	Actual	Amended	Year End Projection	Recommended	Recommended
41100	SALARIES - GENERAL	689,651	722,435	739,905	904,224	857,044
41271	SALARIES - PART-TIME TEMP	55,344	42,000	126,831	59,160	60,343
41320	EARNED LEAVE LIABILITY	26,527	31,073	31,073	24,557	25,539
41490	OVERTIME - GENERAL	17,411	12,000	3,170	5,000	5,100
41620	RETIREMENT - GENERAL	120,307	129,228	133,207	163,990	159,771
41690	DEFERRED COMPENSATION	14,113	13,293	15,464	18,946	18,008
41700	GROUP INSURANCE	87,339	93,847	111,787	137,883	132,054
41701	MEDICARE	8,933	11,290	10,007	8,739	9,148
41701	MEDICARE PTT AND OT	-	-	1,885	930	949
41730	INCOME PROTECTION INS	6,403	5,712	6,584	8,011	7,350
41760	WORKERS COMP	19,018	37,461	21,250	22,606	21,426
41760	WORKERS COMP PTT AND OT	-	-	3,250	1,604	1,636
41799	BENEFITS	2,324	2,218	2,547	2,608	2,608
41800	UNIFORM	1,064	743	743	758	773
Salaries Total		1,048,434	1,101,300	1,207,704	1,359,015	1,301,749
42214	TELEPHONE	12,710	13,792	12,000	14,000	14,280
42228	GASOLINE & OIL	7,823	5,835	6,000	7,000	7,140
42231	CONTRACT SERVICES	20,993	106,084	118,112	85,000	86,700
42236	BANK CARD SERVICE FEES	18,383	18,478	12,000	20,000	20,400
42244	STATIONERY & OFFICE SUPPLIES	1,924	3,713	2,000	3,000	3,060
42245	COMPUTER HARDWARE-NON CAPITAL	2,279	5,787	5,000	6,000	6,120
42246	COMPUTER SOFTWARE-NON CAPITAL	2,777	3,183	1,000	1,000	1,020
42248	OTHER SUPPLIES	7,006	1,591	1,500	2,000	2,040
42250	ADVERTISING	-	318	500	-	-
42252	PHOTOCOPYING	1,666	2,122	1,500	2,500	2,550
42254	POSTAGE & FREIGHT	947	849	900	900	918
42257	PRINTING	322	1,591	1,200	1,600	1,632
42261	AUTO MILEAGE	-	106	100	200	204
42281	SMALL TOOLS	15	-	-	-	-
42299	OTHER EXPENSE	514	318	100	1,475	130
42408	TRAINING & EDUCATION	1,680	7,957	3,000	7,000	7,140
42415	CONFERENCE & MEETINGS	411	2,122	1,500	3,500	3,570
42423	MEMBERSHIP & DUES	2,706	530	745	600	612
42435	SUBSCRIPTION & PUBLICATIONS	2,016	530	2,080	600	612
42526	MAINT - AUTO/TRUCKS	4,855	2,122	2,381	3,000	3,060
Supplies Total		89,029	177,029	171,618	159,375	161,188
45003	GENERAL LIABILITY INSURANCE	10,837	14,767	14,767	25,849	28,434
45004	BUILDING MAINT - CURRENT SERVICES	23,799	23,127	23,127	47,721	45,915
45005	BUILDING MAINT - FUTURE REPLACEMENT	3,726	3,838	3,838	3,953	4,072
45006	FLEET REPLACEMENT	-	14,997	14,997	18,759	18,759
45009	INFO SYSTEM SERVICES	54,429	63,713	63,713	68,959	68,959
45010	GF ADMIN	83,301	87,466	87,466	91,839	96,431
Internal Services Total		176,092	207,907	207,908	257,081	262,570
49212	TRANSFER OUT-232 (ENVIRONMENTAL PROGRAMS)	25,727	28,466	28,466	39,344	40,975
49241	TRANSFER OUT-BOND/DEBT	12,499	12,805	12,805	7,326	8,445
49321	TRANSFER OUT - EMPLOYEE BENEFITS FUND	-	17,304	17,304	22,512	11,256
Transfer Total		38,226	58,575	58,575	69,182	60,676
5130 - Building Total		1,351,781	1,544,811	1,645,805	1,844,653	1,786,183

CITY OF MORCAN HILL • FY 16-17 and 17-18 • OPERATING AND CIP BUDGET • CITY OF MORCAN HILL •
CITY OF MORCAN HILL • FY 16-17 and 17-18 • OPERATING AND CIP BUDGET • CITY OF MORCAN HILL •

Long Range Planning (continued)

- Preparation and public circulation of a Draft Environmental Impact Report and preparation of a Final EIR to respond to comments received on the Draft EIR for the Morgan Hill 2035 Project
- Begin work on the comprehensive update of the City's Zoning Code Update, including stakeholder and Planning Commission review sessions
- Continued implementation of the City's Agricultural Land Use Preservation Program, including application to LAFCO for an Urban Service Area Expansion within the SEQ Area
- Adoption of Zoning Code amendment to establish design standards for medium density residential development. This effort included four Planning Commission design workshops and extensive research by staff to develop the Code language
- Adoption of a Water Efficient Landscape Ordinance based on a regional model
- Reengagement with the High Speed Rail Authority to discuss the HSR plan and schedule as they relate to Morgan Hill
- Fund 206 Planning and Building Fee Nexus Study
- Participation in consultant selection process for the grant-funded Station Area Planning process
- Completion of a Downtown Parking Analysis
- Launch of the Downtown Station Area Master Plan

ACTIVITY GOALS

FY 16-17

- Complete the Morgan Hill 2035 Project, including final adoption of the General Plan Update, Zoning Code Update and voter approval process for the RDCS update
- Continue implementation of the City's Agricultural Lands Preservation Program, including participation in the Santa Clara County Framework project and selection of a consultant/entity to acquire easements under the City's adopted Program
- Continue to work on updates to Title 18 (Zoning Code) of the Municipal Code, as they arise, and as part of the comprehensive Morgan Hill 2035 project
- Complete the Downtown Station Area Plan
- Prepare an Addendum to the Downtown Specific Plan
- Initiate preparation of a Monterey Corridor Form Based Zoning District
- Updates to the City's Architectural Review Handbooks and Zoning Code to improve design standards

FY 2017-18

- Complete preparation of a Monterey Corridor Form Based Zoning District
- Continue to work on updates to Title 18 (Zoning Code) of the Municipal Code, as they arise
- Continue implementation of the City's Agricultural Lands Preservation Program
- Engage in new long-range planning activities as directed by City Council and to further implement the Morgan Hill 2035 General Plan
- Updates to the City's Architectural Review Handbooks and Zoning Code to improve design standards

CITY OF MORGAN HILL • FY 16-17 AND 17-18 • OPERATING AND CIP BUDGET • CITY OF MORGAN HILL

Long Range Planning (continued)

Expenditure Details		14-15	15-16	15-16	16-17	17-18
Object	Description	Actual	Amended	Year End Projection	Recommended	Recommended
41100	SALARIES - GENERAL	226,435	212,156	221,198	275,379	296,209
41271	SALARIES - PART-TIME TEMP	22,866	-	-	-	-
41320	EARNED LEAVE LIABILITY	2,623	4,386	4,386	5,371	5,586
41620	RETIREMENT - GENERAL	39,645	37,857	39,488	49,943	55,219
41690	DEFERRED COMPENSATION	7,071	6,295	7,731	9,274	9,789
41700	GROUP INSURANCE	19,065	18,873	18,675	23,322	24,111
41701	MEDICARE	3,440	3,124	2,994	3,672	3,957
41730	INCOME PROTECTION INS	2,094	1,547	1,831	2,172	2,171
41760	WORKERS COMP	6,234	10,608	5,484	6,885	7,405
41799	BENEFITS	3,290	3,312	3,311	4,378	4,378
Salaries Total		332,763	298,158	305,097	380,396	408,825
42214	TELEPHONE	1,041	1,273	1,250	1,275	1,301
42231	CONTRACT SERVICES	279,492	561,311	245,823	200,000	200,000
42236	BANK CARD SERVICE FEES	14	1,167	350	357	364
42248	OTHER SUPPLIES	-	-	-	100,000	-
42415	CONFERENCE & MEETINGS	5,427	-	3,000	3,060	3,121
42423	MEMBERSHIP & DUES	868	1,857	1,850	1,887	1,925
Supplies Total		286,842	565,608	252,273	306,579	206,711
45003	GENERAL LIABILITY INSURANCE	3,852	3,252	3,252	5,002	5,502
45004	BUILDING MAINT - CURRENT SERVICES	-	-	-	11,832	11,384
45010	GF ADMIN	28,654	30,087	30,087	31,591	33,171
Internal Services Total		32,506	33,339	33,339	48,425	50,057
49241	TRANSFER OUT-BOND/DEBT	-	-	-	1,047	1,206
49321	TRANSFER OUT - EMPLOYEE BENEFITS FUND	-	3,968	3,968	5,581	2,791
Transfer Total		-	3,968	3,968	6,628	3,997
5170 - Long Range Planning Total		652,111	901,073	594,677	742,028	669,590

Housing Programs [Funds 234, 235, 236, and 255]

Division Description

In FY 15-16 the Housing Division continued to be challenged with the effects of the elimination of the Redevelopment Agency and the resulting loss of \$4 million in annual funding to support the rehabilitation and development of affordable housing in Morgan Hill. These housing funds were the cornerstones of the City's very successful housing program. Historically the City has built a model Program with one of every ten units being affordability restricted. In addition, the City has produced more affordable ownership housing per capita, than any other City in the State. In the absence of redevelopment, this successful program must develop new strategies to support administrative costs of the Below Market Rate (BMR) Program, as well funding sources to subsidize the production of "deeply" affordable, very low and extremely low income rental units.

In the “Post-RDA Era”, cities have been required to use creative means to continue to fund their programs and manage their existing housing stock, all the while the affordability crisis has grown and the pressure to create affordable housing opportunities has increased. The Housing Division continues to work to strike a balance between cost, efficiency, planning for long term sustainability, provision of housing at all affordability levels, responsive service and the multiple components of administering a large BMR portfolio (through its various stages from the inception of the BMR commitment during the RDCS process, to the sale of the new construction BMR unit, to a resale over time, and ongoing monitoring, compliance and asset management).

Morgan Hill's primary housing mission is to continue the City's legacy to improve, preserve, and create safe, quality housing for residents at all income levels, both rental and ownership opportunities. As a result of the elimination of redevelopment agencies statewide, in 2012 the Housing Program accepted secondary responsibility is to serve as the successor to the former Morgan Hill Redevelopment Agency's housing functions and administer its legacy housing assets. With the elimination of the agency, the City restructured its housing programs to reflect the services that can be provided based on the limited staff resources and funding. In FY 12-13 the City began to operate only a limited housing program. The housing functions provide coordination of new unit private development production, implementation of the Housing Element, achievement of the Regional Housing Needs Allocation efforts (RHNA), and provision of various local housing related services and programs. To deliver the housing ownership program, the City contracted with Neighborhood Housing Services of Silicon Valley (NHSSV). This partnership continued until 2015. In August 2015, the City collaborated with Nyanda & Associates, dba "HouseKeys", after the sudden demise of Neighborhood Housing Services, for the administration of its Below Market Rate (BMR) Program. This enabled the City to continue to contract with an outside agency to administer the Program on site to serve as a test to identify best practices for future operations. Housing efforts focused on the immediate need to transition the BMR Program, and strived to carry out transactions to avoid a service interruption to developers, homeowners and new buyers in the pipeline. This was achieved by rapidly on-boarding the "HouseKeys" BMR team, and working to create a new sustainable BMR business model for the administration of the program.

The housing team continues to provide ongoing coordination of the EAH multi-site, new construction development and is in conversations with non-profit builder, UHC, for the development of an additional 39 units. In FY 15-16 the team was expanded to two, when the City added one Municipal Services Assistant (MSA) to aid the Housing Manager. The various components of the Housing Program and the sheer demand for housing assistance, number of loans, requests to restructure and or subordinate existing loans, size of the existing BMR portfolio, as well as the ongoing

CITY OF MORCAN HILL • FY 16-17 and 17-18 • OPERATING AND CIP BUDGET • CITY OF MORCAN HILL •
CITY OF MORCAN HILL • FY 16-17 and 17-18 • OPERATING AND CIP BUDGET • CITY OF MORCAN HILL •

In May 2016, the City Council will receive the annual Housing update. At that time, the findings of the first nine months of the BMR operation, post NHSSV, will be presented. Specifically, the financial costs of program administration, defense of the covenants and BMR servicing. The primary discussion will highlight that the team continues to explore effective/sustainable ways to support administration of the program's 500+ BMR assets. This will be the greatest challenge to the program in FY 16-17. In addition, the City Council will be presented with housing issues and opportunities, City and regional housing priorities, and the 2016 evaluation of the BMR in lieu fee by Keyser Marston & Associates.

Fund 234 – 8250 Mobile Home Rent Commission

Fund 235-Senior Housing Trust

Fund 236- RDCS Housing Mitigation (In Lieu Fee)

Prior to issuance of occupancy permits, housing in-lieu funds are collected from market rate housing developers who make development agreement commitments to pay an in-lieu housing fee for an incremental residual unit resulting from the RDCS affordable housing commitment. This fund has fluctuated over time and is the only remaining major source of reliable funding for the City's legacy Housing Program. In the past these fees were suspended for qualified housing allocations via the BMR waiver and reduction program, intended to help stimulate housing construction during the economic crisis.

Housing Programs (continued)

Full fee collection began again in July, 2014; however, it has been a decade since the current \$150,000 in lieu fee has been evaluated. In FY 2016, an analysis by Keyser Marston Associates was commissioned to assist the City with a discussion of the impact of the City's Residential Development Control System (RDCS) BMR Requirements on Development Economics, and proportionate BMR in lieu fees. Morgan Hill has made a significant commitment to affordable housing for thirty plus years, and has accrued a large BMR portfolio with significant value. The two most critical issues facing the City's program for the next two to three years is creating a sustainable business model that prioritizes preservation and integrity of the BMR housing stock and leveraging funds and resources to produce deeply affordable rental units. The Year-end fund balance projection for Fund 236 is approximately \$2.5 million.

Fund 255- Housing Fund (formerly known as the Successor Agency Housing Fund)

The legacy housing obligations of the Morgan Hill Redevelopment Agency have associated implementation and delivery costs that are not eligible for reimbursement from RDA Housing dissolution revenues, but can be recovered from residual receipts and loan repayment from previously constructed projects and loans. Beginning in FY 15-16, former RDA Housing funds used in prior years to make Educational Revenue Augmentation Funds (ERAF) and Supplemental Educational Revenue Augmentation Funds (SERAF) payments to the State of California, have commenced repayment by the State to the City's Housing Fund. These dollars can be used to develop new affordable housing units and preserve housing assets. The calculated repayment amount for the Morgan Hill Successor Agency is \$1,177,918 for FY 2015-16, and \$703,250 for FY 2016-17, and \$ 1,200,000 which are part of the \$6,000,000 SERAF/ERAF repayments to be paid to the City over a five year period of time.

FY 15-16 Accomplishments

Housing Program

- Managed the sudden closure of the then BMR administrator NHSSV, and quickly on-boarded new administrator, HouseKeys, to limit BMR service interruption to developers and buyers
- Completed and received certification of updated Housing Element (December 2015)
- Monitored RHNA progress for the housing element and assisted with the preparation of the Housing Element update
- Adopted the regional County of Santa Clara Community Plan to End Homelessness, June 17, 2015
- Adopted the recommended transition plan to end the contract with NHSSV and embark on a new partnership with HouseKeys for the BMR administration, July 15, 2015
- Completed the closure of South County Housing and transfer of Housing assets and functions to EDEN Housing for Morgan Hill projects, completed South County Housing Settlement, September 2, 2015
- Facilitated the Tax and Equity Fiscal Responsibility Act ("TEFRA") bond hearing for EAH, and assignment of City loans for Village Avante Affordable Apartments, \$28,000,000 major Housing Rehab Project
- Adopted the County of Santa Clara Housing Task Force Affordable Housing Resolution, February 3, 2016
- Submitted the Affordable Housing Sustainable Communities Grant, a \$9,489,122 request for affordable housing and transportation improvements in partnership with EAH, March 2016
- Continued negotiations with EAH development for the family and Transitional Age Youth affordable housing scattered site development, scheduled to begin new construction in FY 16-17
- Facilitated Urban County CDBG grant award for Galvan Park rehabilitation project, \$71,337
- Received 1.4 Million, Housing Community Development Housing and Parks Grant, and applied for 1.3 Million

CITY OF MORCAN HILL • FY 16-17 and 17-18 • OPERATING AND CIP BUDGET • CITY OF MORCAN HILL •
CITY OF MORCAN HILL • FY 16-17 and 17-18 • OPERATING AND CIP BUDGET • CITY OF MORCAN HILL •

- Provided support for the implementation of the new Housing Rehab Program administered by the Housing Trust of Silicon Valley (15 senior mobile home repair grants awarded)
- Reviewed and scored 14 Residential Development Control System competition applications
- Participated in a variety of local working groups including the County's Countywide CDBG and Regional Housing workgroup, and the Housing Action Coalition
- Reviewed the appropriateness of the decade old housing in-lieu fee \$150,000.
- Assisted with the coordination of the following BMR activity

Upon the sudden dissolution of the City's previous BMR Administrator Neighborhood Housing Services of Silicon Valley (NHSSV) the Council adopted a Transition Plan on July 15, 2015 to contract with Nyanda & Associates (HouseKeys) to provide the continued administration of the BMR Program for \$272,000. The first nine months focused on two major efforts, 1.) How to deal with the immediate crisis of transitioning the Program in the wake of NHSSV's demise and avoiding a service interruption to the existing pipeline; this was accomplished. 2) Assessing the true cost of sustaining a BMR Program Administration Operation. It is apparent that the \$75,000 contract to NHSSV was not sufficient for the magnitude of the City's portfolio, and the contract with HouseKeys will require an increase to \$500,000 to provide full services. Below are the highlights of the successful transition of the program:

- CITY OF MORGAN HILL • FY 16-17 and 17-18 • OPERATING AND CIP BUDGET • CITY OF MORGAN HILL • FY 16-17 and 17-18 • OPERATING AND CIP BUDGET • CITY OF MORGAN HILL • FY 16-17 and 17-18

Housing Programs (continued)

Activity Goals

FY 16-17

- Respond to Tax Assessor for updated 2016 value of all 500 units with the current formula and value of each
- Refine consultant services agreement for BMR Program Administration
- Implement Cash for Keys, reducing legal fees, and asset recovery, time and cost
- Create a sustainable BMR Program Model, strengthen the BMR Program enforcement, improving upon past success, building valuable regional partnerships and consider ways to attract funding from non-traditional sources, develop legislation working group with NHSSV and Fannie Mae on City's rights for non-judicial BMR foreclosures
- Monitor housing production and assist with Housing Element Annual Report
- Continue efforts to preserve and create affordable housing opportunities
- Coordinate the City's annual CDBG CIP grant application to the Urban County, HOME funds, and the award of public service grants in partnership with the County
- Facilitate the financing or pre-development activity for one new affordable housing project during the current housing element period
- Assist with annual review of housing related fees
- Assist with the review of the annual RDSC applications
- Explore partnership with The Housing Trust for additional programs or leverage funds for new construction
- Purchase new software to help Finance manage and track loans and BMR units
- Monitor BMR homes and rental units for compliance
- On-board new service provider (Rebuilding Together) for the City's existing BMR Senior/Mobile Home Rehab Grants Program
- Strategize additional ways to assist the region with the affordable housing crisis and response
- Explore options to create or augment Housing Programs, raise revenues for local equity match for new deeply affordable special needs housing units construction
- Explore options to participate in regional efforts to end homelessness
- Review the level of services provided at existing Affordable Housing developments in relation to the needs of the residents
- Restructure loans as needed to facilitate the rehab of multifamily affordable housing projects

FY 17-18

- Negotiate with developers for the potential use of City housing funds to create new affordable housing development and rehab existing units
- Continue to look for ways to partner with housing agencies to address regional homeless issues and the affordability crisis
- Implement BMR policies and procedures with BMR Administrator, HouseKeys (Continue to implement best practices for the Model City Project, outreach and education, compliance, monitoring, asset management, defending BMR covenants, proactively prevent foreclosures to protect BMR covenants and City's financial investment)
- Continue City interdepartmental team support for various activities

CITY OF MORCAN HILL • FY 16-17 and 17-18 • OPERATING AND CIP BUDGET • CITY OF MORCAN HILL •
CITY OF MORCAN HILL • FY 16-17 and 17-18 • OPERATING AND CIP BUDGET • CITY OF MORCAN HILL •

- ## Council Goals

- Continue to seek funding and apply for the Cap and Trade Affordable Housing Sustainable Communities grant opportunities, a green house gas reduction program for transportation and housing funding
- Identify opportunities to create a new sustainable BMR business model that will sustain the BMR Program for the next 30 years.

- Incorporate special needs units such as, Transitional Age Youth (TAY) units within affordable housing developments with supportive services

- Improve, preserve, and create safe quality housing in Morgan Hill for residents at all income levels, in the form of both rental and ownership opportunities

- Continue to improve and provide outreach and education activities to increase awareness of the BMR program opportunities for potential applicants, and maintain communication with existing BMR homeowners to continuously provide program guidelines and requirements

- Participate in the County of Santa Clara's regional affordable housing efforts to further implement the affordable housing goals of the 2016 County Housing Task Force Resolution, to work towards the goal of creating and preserving affordable housing units with deeper affordability and for special needs populations

The revenue needed to fund the City's housing programs is now directly aligned with the health of two funds: The Housing In-lieu Fee Fund (Fund 236) and the Successor Agency Housing Fund (Fund 255). The Successor Agency Housing Fund will receive program income from the Agency's legacy projects and assets, as well as one-time ERAF and SERAF repayments, the calculated repayment amount for the Morgan Hill Successor Agency is \$6,000,000, of which \$1,177,918 was received in FY 2015-16, and anticipates \$703,250 in FY 2016-17, the remaining balance will be paid to the City over a five year period of time. In addition, if the robust housing market continues to generate substantial housing in lieu fees, the City may be able to fund one to two new affordable housing developments over the next 5-7 years.

Housing will continue to pursue additional funding opportunities to continue the City's affordable housing legacy. For FY 16-17, \$3 million in housing program expenditures are proposed for Fund 236 and \$2.8 million in Fund 255. For FY 17-18, \$1.3 million in housing program expenditures are proposed for Fund 236 and \$2 million in Fund 255. Expenditures in

Mobile Home Rent Commission [234-8250]

Expenditure Details		14-15	15-16	15-16	16-17	17-18
Object	Description	Actual	Amended	Year End Projection	Recommended	Recommended
42236	BANK CARD SERVICE FEES	-	26	26	26	26
	Supplies Total	-	26	26	26	26
45010	GF ADMIN	738	775	775	814	854
	Internal Services Total	738	775	775	814	854
8250 -	Mobile Home Park Rent Total	738	801	801	840	880

Housing Programs (continued)

Housing Mitigation [236-7100]

Expenditure Details		14-15	15-16	15-16	16-17	17-18
Object	Description	Actual	Amended	Year End Projection	Recommended	Recommended
41100	SALARIES - GENERAL	190,147	225,267	209,733	252,729	284,297
41320	EARNED LEAVE LIABILITY	3,446	3,417	3,417	6,455	6,713
41490	OVERTIME - GENERAL	2,877	-	5,873	4,000	4,080
41620	RETIREMENT - GENERAL	33,293	40,197	37,507	45,991	53,162
41690	DEFERRED COMPENSATION	3,959	3,838	5,217	5,403	6,477
41700	GROUP INSURANCE	24,042	33,804	31,143	36,670	40,816
41701	MEDICARE	2,088	3,296	2,541	3,095	3,531
41701	MEDICARE PTT AND OT	-	-	85	58	59
41730	INCOME PROTECTION INS	1,876	1,920	1,937	2,366	2,518
41760	WORKERS COMP	4,784	11,263	5,349	6,340	7,130
41760	WORKERS COMP PTT AND OT	-	-	147	100	102
41799	BENEFITS	2,321	2,025	1,942	2,586	3,056
Salaries Total		268,834	325,027	304,892	365,793	411,942
42214	TELEPHONE	1,431	2,228	3,000	1,500	1,530
42230	SPECIAL COUNSEL	48,955	476,045	301,045	150,000	153,000
42231	CONTRACT SERVICES	245,382	232,288	108,860	120,000	122,400
42236	BANK CARD SERVICE FEES	-	7,993	7,993	7,993	7,993
42244	STATIONERY & OFFICE SUPPLIES	417	372	3,300	3,500	3,570
42248	OTHER SUPPLIES	44	-	10,000	-	-
42250	ADVERTISING	579	-	-	-	-
42254	POSTAGE & FREIGHT	16	-	300	300	306
42257	PRINTING	70	-	-	-	-
42261	AUTO MILEAGE	466	1,061	300	250	255
42299	OTHER EXPENSE	-	212	-	-	-
42415	CONFERENCE & MEETINGS	1,188	2,122	1,300	3,000	3,060
42423	MEMBERSHIP & DUES	450	1,061	500	500	510
42435	SUBSCRIPTION & PUBLICATIONS	10	106	-	-	-
Supplies Total		299,010	723,487	436,598	287,043	292,624
43835	FURNITURE/OFFICE EQUIPMENT	-	2,500	-	-	-
Capital Total		-	2,500	-	-	-
45003	GENERAL LIABILITY INSURANCE	3,696	4,978	4,978	6,457	7,103
45004	BUILDING MAINT - CURRENT SERVICES	3,400	3,304	3,304	14,592	14,040
45005	BUILDING MAINT - FUTURE REPLACEMENT	532	548	548	564	581
45009	INFO SYSTEM SERVICES	2,269	2,656	2,656	-	-
45010	GF ADMIN	49,014	51,464	51,464	54,037	56,739
Internal Services Total		58,911	62,950	62,950	75,651	78,463
86100	ACQUISITION EXPENSE	528,115	-	-	-	-
86420	PROGRAM LOANS	343,497	-	604,116	-	-
86440	GRANT AMOUNT	300,000	-	-	-	-
86441	HOUSING PROGRAMS	1,692,611	2,500,000	475,000	2,338,008	500,000
Project Total		2,864,223	2,500,000	1,079,116	2,338,008	500,000
49214	TRANSFER OUT-207 (GENL PLAN UPDATE)	150,000	150,000	150,000	7,700	7,700
49241	TRANSFER OUT-BOND/DEBT	1,829	1,829	1,829	-	-
49321	TRANSFER OUT - EMPLOYEE BENEFITS FUND	-	5,555	5,555	6,884	3,442
Transfer Total		151,829	157,384	157,384	14,584	11,142
7100 - Housing Mitigation Total		3,642,807	3,771,348	2,040,940	3,081,079	1,294,171

Successor Housing Agency [255-7220]

• CITY OF MORGAN HILL • FY 16-17 and 17-18 • OPERATING AND CIP BUDGET • CITY OF MORGAN HILL • FY 16-17 and 17-18 • OPERATING AND CIP BUDGET • CITY OF MORGAN HILL • FY 16-17 and 17-18

**City of Morgan Hill Acting as the Successor Agency
of the Morgan Hill Redevelopment Agency - [250]**

DIVISION DESCRIPTION

The Morgan Hill Redevelopment Agency was dissolved by State law on February 1, 2012 after nearly 40 years of operation. In order to meet the Enforceable Obligations of the former RDA and to responsibly wind down the remaining activities, the City has elected to become the Successor Agency. Most of the actions of the Successor Agency are subject to approval by a seven person Oversight Board; which, in turn, has its actions reviewed by the California Department of Finance (DOF). Commencing July 1, 2018, all Oversight Boards for the various former redevelopment agencies in the County of Santa Clara will be consolidated into a single county-wide Oversight Board to be staffed by auditor-controller, by another county entity, or by a city selected by the county auditor-controller. The key role of the Oversight Board in FY 16-17 and FY 17-18 continues to be to approve annual Recognized Obligation Payment Schedule (ROPS) and the implementation of the Long Range Property Management Plan.

The Budget for the Successor Agency includes three program areas shown in detail on the succeeding pages:

Retired Obligations: to account for the staff and some consultant costs needed to deliver and implement the former RDA's enforceable obligations that are "non housing" related; first the Oversight Board, and then the DOF must approve these expenses in the ROPS before the County Auditor-Controller can distribute former tax increment to the City as successor agency to make the actual payments. Such costs have declined as the Enforceable Obligations are discharged over time.

Administration: to account for the costs of winding down the RDA; subject to an Administrative Cost Allowance which, in FY 16-18 Biennial Budget will be capped at \$250,000 annually or 3% of the amount of property tax needed to meet the ROPS. The Administrative Budget must be reviewed and approved by the Oversight Board each annual ROPS. The amounts budgeted reflect management's estimate of the full year's costs.

Debt Service Administration: to account for the costs of paying debt service and related costs on the outstanding tax exempt and taxable bond issues, which in December 2013, refunded at a fixed interest rate. These costs will be included in each annual ROPS to be approved by the Oversight Board and for distribution by the County Auditor-Controller on January 2 of the succeeding year—all in order to fully fund the trust indenture (i.e., pay an entire calendar year's worth of debt service) at the beginning of the year.

Delivery and implementation of Enforceable Obligations:

The budget amounts for each of the three areas represent the amounts that will be recommended for approval by the Board over the next two years.

Council Goals

During FY 16-18, the Successor Agency will work to conduct activities that are aligned with the priorities, goals and strategies the City Council has set:

- Advance revitalization of our downtown by completing our significant public investment
- Implement Redevelopment Sites #1 & 2 (Leal Hotel & Market Hall)
- Complete the public investment in Downtown Placemaking initiatives

CITY OF MORGAN HILL • FY 16-17 AND 17-18 • OPERATING AND CIP BUDGET • CITY OF MORGAN HILL

[illegible]

CITY OF MORCAN HILL • FY 16-17 and 17-18 • OPERATING AND CIP BUDGET • CITY OF MORCAN HILL •
CITY OF MORCAN HILL • FY 16-17 and 17-18 • OPERATING AND CIP BUDGET • CITY OF MORCAN HILL •
CITY OF MORCAN HILL • FY 16-17 and 17-18 • OPERATING AND CIP BUDGET • CITY OF MORCAN HILL •

